

Comments on the peer review of “Socioeconomic Impact of Gambling on Iowans” preliminary report

Submitted by
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The Consultant appreciates the peer review of the “Socioeconomic Impact of Gambling on Iowans” study and acknowledges the effort made by the two distinguished colleagues to evaluate the study. While acknowledging that there are different ways of conducting research, the Consultant will like to respond to some of the comments and concerns raised by the evaluators.

A) Peer Review 1

In general, the peer reviewer from Baylor University supports the overall study. The reviewer has pointed out that there are various approaches that could have been used, including the cost/benefit analysis. However, no criticism was made of the approach utilized by the Consultant.

The reviewer has pointed out as the Consultant has maintained that the next step to determine the possible association between crime and gambling would be to conduct a micro-analysis of the data. This was beyond the scope of the parameters of the present study. Collection of descriptive statistics on crime was needed to determine if they presented any reason for future investigation. It is important to note that much of the historical data on crime was not available in an electronic format and had to be re-coded with additional expenses. The timeline and the budget did not allow the Consultant to proceed beyond the descriptives. The Consultant agrees with the comment that bankruptcy can be treated econometrically to probe deeper into the bankruptcy issue. However, the variables required to conduct econometric analysis such as credit histories are not readily available and have to be purchased at additional costs. The review has made a noteworthy suggestion of providing time series of employment impact. This would require a run of one hundred additional economic impact models if determining a trend over the last decade. The Consultant will like to point out the study parameters (limited timeframe and budget constraints) again.

B) Peer Review 2

With regard to the second peer review conducted by the Strategic Economics Group, the Consultant respectfully disagrees with the evaluation. The reviewer based his comments from a economic holistic framework while this study calls for a multiperspective approach. The methodology used by the study was appropriate. A plethora of studies have appeared in academic literature that investigate the resident attitudes towards socioeconomic tourism development impacts using multidimensional scales (Lankford & Howard, 1994; Ap & Crompton, 1999; Perdue, Kang, & Perdue, 1999; Tosun, 2002; Gursoy & Rutherford, 2003). Citizen perceptions were not used as a “substitute or surrogate” for “factual or statistical” data as stated by the reviewer. As mentioned before, there is more than one way to conduct research and survey-based research always has limitations unless a researcher is able to knock at every single door to assimilate empirical data. However, several statistical tools can be used to test robustness of empirical data such as split-half method, Cronbach’s alpha, content analysis, comparison with previous similar findings, etc. In addition to a prior pilot study of Black Hawk County residents and focus group interviews, the Consultant conducted several tests on the sample to test randomization. It is a representative sample for the State as a whole not the individual counties. The methodology section discusses the social impact data collection process in details (Chhabra, 2005: 22).

With regard to the concern raised by the reviewer on casino visitor spending estimations based upon literature review and other visitor studies in Iowa, the Consultant believes that it was a reasonable alternative because the casinos declined the Consultant’s request to conduct an onsite survey of the visitors. With regard to the query on crime statistics, actual data is also provided.

The Consultant of the study, as mentioned before, uses a mixed approach grounded in the recreation/tourism impact setting framework. The Consultant will also like to point out that the Strategic Economics Group used a similar economic impact approach in a study conducted in 2003. A part of the study focused on the economic impact of existing casinos in Iowa. The study stated “several studies have attempted to identify the economic impact and market potential of casino gaming in Iowa, but none of them have examined actual customer-based data” (Stone, Otto & Siegelman, 2004: 3) In an attempt to overcome this limitation, the study utilized actual customer records provided by non-tribal casinos. The study plotted trade area maps for each casino based upon zip coded patron data elicited from the Iowa casinos. The authors used Input-output models to estimate direct and secondary impacts of gambling expenditures on Iowa economy (Stone, Otto & Siegelman, 2004).

The Consultant used a similar methodological approach to estimate direct and indirect effects through customer-based data provided by the Iowa Gaming Association. In addition, it included other spending sectors such as gasoline, restaurants, and shopping. With regard to underestimation of economic impacts because of lodging, the Consultant also points out the possible over estimation of impacts because of ambiguity in the count of total casino visitors that include non-club players. In addition, the study area mapped by the gambling study was based upon the findings of the reviewer’s study that stated that the primary and secondary trade areas are located within a 50 mile radius of the existing casinos.

With regard to displaced expenditures, the respondents were asked if they would have visited another form of entertainment facility. Specific examples of an alternative facility were given. This response was tested with another item included in the study “attendance has decreased at other entertainment centers such as museums and cinema” (Chhabra, 2005: 50). According to Tyrell and Johnston (2001), potential behavior of resident attendees must be taken into account. It is also important to segregate expenditures incurred by the local people. Eliminating all local expenditures can eliminate locals who spend money because of the event (Ryan, 1998; Faulkner, 1999; Tyrell and Johnston, 2001). Local expenditures can be divided into retained and displaced expenditures (Ryan, 1998). Retained expenditures belong to residents who consider the event to be important and will not substitute it for another activity. They should be taken into account. Displaced expenditures are not additional expenditures incurred by the locals and are a substitute for spending which would have taken place elsewhere if the event were not happening. The locals incurring these expenditures are called also casuals (Crompton, Lee & Shuster, 2001). This study used the approach discussed in the aforementioned studies.

Finally with regard to the reviewer’s comment about the ‘demographic data dump’, the Consultant will like to state that this data was a requirement in the RFP (Research for Proposal) as drafted by the Iowa Legislative Council. The study compiled by the Consultant is rich with data, both historical and empirical. With regard to the selection of control group of counties, the selection was based upon three attributes: age, household income, and population.

In summary, the Consultant will like to reinforce the significant implication of the study results. Data collection, both historical and empirical, was a tedious and time consuming process. It was important to provide base information on all items (as requested by the Iowa Legislative Council) to obtain a clear understanding of trends and patterns. While extracting descriptives for all data, the study used IMPLAN analysis, factor analysis with varimax rotation to purify the pool of items measuring resident perception of socioeconomic impacts, Analysis of Variance tests, and multiple regression models for further analysis. While, demonstrating economic direct and indirect benefits in terms of output, value added, and employment, the study provides significant indicators towards problems associated with casino gambling that need to be taken into serious consideration. The report was delivered according to the study plan prepared for and approved by the Iowa Legislative Council.

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